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CITY OF CENTRAL, LOUISIANA

FINANCIAL STATEMENTS

June 30, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

12/10/08

CITY OF CENTRAL, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council,
City of Central, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of the **CITY OF CENTRAL (CITY)** as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the City as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended June 30, 2008 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2008, on our consideration of the **CITY OF CENTRAL, LOUISIANA's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (pages 3 - 11) and budgetary comparison information (page 33 and 34) on Exhibits B and B-1 are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
October 1, 2008

CITY OF CENTRAL, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our analysis of the City of Central's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities and currently known facts. This MD&A should be read in conjunction with the financial statements which begin on Exhibit A.

FINANCIAL HIGHLIGHTS

In 2008, the City of Central experienced a transitional year with substantial growth as revenues increased (33%) relative to the prior year, although expenditures decreased (8%). Sales tax collections continued an upward trend (increasing 32%) as a result of the City's growth. Additionally, the City issues occupational licenses, collecting approximately \$544,000, which is an increase (54%) over the prior year in occupational license revenue for the City. Throughout this transitional and developmental period, the City has focused on maintaining a logical and thoughtful alignment of City resources to community needs.

The major financial highlights for 2008 are as follows:

- Assets of the City's primary government exceeded its liabilities at the close of the year by approximately \$3.7 million (net assets). The entire amount may be used without restriction to meet the City's ongoing obligations to citizens and creditors.
- The primary government's total net assets increased by approximately \$2.9 million during 2008, which is primarily the result of the increase in sales taxes, occupational licenses and grant proceeds.
- The decrease in governmental expenditures can be attributed to the decrease in payments remitted to the Parish of East Baton Rouge related to the intergovernmental agreement, which was mutually terminated by both parties effective February 28, 2008. The intergovernmental payments correlated to sales tax collections.

Significant aspects of the City's financial well being, as of and for the year ended June 30, 2008, are detailed throughout this analysis.

USING THIS ANNUAL REPORT

The City's financial statements focus on the government as a whole (government-wide) and on major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison from year to year and should enhance the City's accountability.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13 and 14) provide information about the activities of the City as a whole and present a longer-term view of the City's finances.

Fund financial statements start on page 15. For governmental activities, these statements depict how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The City's auditor has provided assurance in their independent auditors' report, located immediately preceding this MD&A, that the financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each part of this report.

Reporting on the City as a Whole

Our analysis of the City as a whole begins on page 13. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way to determine if the City is in better condition as a result of the year's financial results. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting methods used by most private-sector companies. All of the revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

These two statements report the City's net assets and related changes. You can think of the City's net assets—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base and the favorable conclusion of the litigation as to the City's inception, to assess the overall health of the City.

The Statement of Net Assets and the Statement of Activities consist only of governmental activities.

Governmental activities - All of the City's basic services are reported here, including public safety, public works, and general administration. A significant portion of these services are provided to the City by the East Baton Rouge City-Parish government through an intergovernmental service agreement. Sales taxes finance the majority of these activities.

At June 30, 2008, the City's net assets were approximately \$3.6 million, all of which are unrestricted. Restricted net assets are normally reported separately to show legal constraints from debt covenants and enabling legislation that limits the City's ability to use those net assets for day-to-day operations. However, there were no restricted net assets.

Our analysis below of the primary government focuses on the net assets and change in net assets of the City's governmental activities.

City of Central, Louisiana
Statement of Net Assets
June 30, 2008 and 2007

	Governmental Activities	
	2008	2007
Current and other assets	\$ 4,927,672	\$ 1,667,579
Capital assets	68,700	22,843
Total assets	<u>4,996,372</u>	<u>1,690,422</u>
Current and other liabilities	1,303,741	922,161
Long-term liabilities	<u>13,510</u>	<u>12,367</u>
Total liabilities	<u>1,317,251</u>	<u>934,528</u>
Net assets:		
Invested in capital assets, net of related debt	56,333	7,561
Unrestricted	<u>3,622,788</u>	<u>748,333</u>
Total net assets	<u>\$ 3,679,121</u>	<u>\$ 755,894</u>

Net assets of the City's governmental activities increased by approximately \$2.9 million during the year ended June 30, 2008. All of these surplus funds can be used to finance day-to-day operations and the growing needs of the community without constraints. The changes in net assets are discussed later in this analysis.

The results of this year's operations for the primary government as a whole, as reported in the Statement of Activities, are as follows:

City of Central, Louisiana
Changes in Net Assets
For the years ended June 30, 2008 and 2007

	Governmental Activities	
	2008	2007
Revenues:		
Program revenues:		
Charges for services	\$ 544,188	\$ 353,682
Operating grants and contributions	75,000	152,000
Capital grants and contributions	46,419	1,240
General revenues:		
Sales taxes	6,808,218	5,155,441
Investment earnings	151,599	17,321
Other general revenues	25,345	-
Total revenues	<u>7,650,769</u>	<u>5,679,684</u>
Functions/Program Expenses:		
General government	634,652	466,439
Intergovernmental	2,350,500	4,639,897
Public works	1,605,618	391
Health and welfare	74,579	-
Public safety	62,193	9,985
Total expenses	<u>4,727,542</u>	<u>5,116,712</u>
Increase in net assets	2,923,227	562,972
Beginning net assets	755,894	192,922
Ending net assets	<u>\$ 3,679,121</u>	<u>\$ 755,894</u>

The increase in net assets of \$2.9 million is primarily attributed to revenues generated by sales taxes, occupational licenses and from operating grants the City received during 2008.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 15 with the fund financial statements that provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes funds to account for specific sources of funding and spending for particular purposes.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. All of the City's basic services are reported in governmental funds. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Both of the City's governmental funds (Exhibits A-2 and A-4) have been classified as major funds and have been presented using modified accrual basis.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit A-6.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning original and final budgetary comparisons to actual results for the year for the City's major funds. See Exhibit B and B-1.

Financial Analysis of the Government's Funds

The general government operations of the City are accounted for in the General Fund and the Central Transition District Fund. The focus of these funds, as noted earlier, is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The following is a summary of general governmental operations for 2008 by fund type:

	(in thousands)			
	2008		2007	
	General Fund	Special Revenue Fund	Totals	Totals
Revenues	\$ 4,225	\$ 3,425	\$ 7,650	\$ 5,696
Expenditures	2,359	2,412	4,771	5,141
Excess of revenues over expenditures	1,866	1,013	2,879	555
Transfers	1,260	(1,260)	-	-
Excess of revenues and other financing sources over expenditures	3,126	(247)	2,879	555
Beginning fund balance	501	247	748	193
Ending fund balance	<u>\$ 3,627</u>	<u>\$ -</u>	<u>\$ 3,627</u>	<u>\$ 748</u>

The City's governmental funds experienced a surplus of \$2.9 million during 2008 that primarily relate to an increase in revenues generated from sales taxes, occupational licenses and operating grants the City received during 2008.

The General Fund is the chief operating fund of the City. At June 30, 2008, the fund balance of the General Fund was approximately \$3.6 million compared to the fund balance of \$501,000 at 2007. The increase in fund balance resulted primarily from the increase in general government revenues relating to sales taxes and dissolution of the Central Transition District.

The City's other major fund is the Central Transition District. This fund collects sales and use taxes to support the operations of the City. Until February 2008, 90% of the taxes collected were remitted to the City of Baton Rouge who provided various public services for the City. The Central Transition District fund balance was \$247,000 at 2007. The Central Transition District's fund balance was transferred to the General Fund due to court ruling of the legality of the City's incorporation and dissolution of the Central Transition District.

Sources of governmental revenues, excluding transfers, are summarized below:

<u>Source of Revenue</u>	(in thousands)			
	2008		2007	
	Revenue	%	Revenue	%
Sales tax	\$ 6,803	88.9	\$ 5,155	90.5
Licenses and permits	544	7.1	354	6.2
Intergovernmental	121	1.6	141	2
Other	182	2.4	46	0.8
Total	<u>\$ 7,650</u>	<u>100.0</u>	<u>\$ 5,696</u>	<u>100.0</u>

General governmental revenues increased by approximately \$1.9 million or 34%. This increase is attributable to an increase in sales tax collections and occupational licenses and permits.

General governmental expenditures decreased by approximately \$369,000 or 7%. This decrease is related to the decreased cost incurred related to the intergovernmental agreement with the City of Baton Rouge for public works services. General government expenditures are summarized as follows:

<u>Function</u>	(in thousands)			
	2008		2007	
	Expenditure	%	Expenditure	%
General government	\$ 628	13.2	\$ 491	9.6
Intergovernmental	2,351	49.3	4,640	90.3
Public works	1,605	33.6	-	-
Health and welfare	75	1.6	-	-
Public safety	113	2.4	10	0.2
Total	<u>\$ 4,772</u>	<u>100.0</u>	<u>\$ 5,141</u>	<u>100.0</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the City's General Fund budget was amended. The amendment of the operating budgets is a customary practice of the City and is reflective on the change that occurs with financial related matters throughout the fiscal year. The most significant changes during 2008 were as follows:

- An increase in revenues for sales taxes and operating grants, since amounts were not originally budgeted.
- An increase in general governmental and public works expenditures due to staffing commitments not reaching originally expected levels and the hiring of a management company to oversee City operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the completion of the fiscal year ended June 30, 2008, the City had approximately \$69,000 invested in capital assets, net of accumulated depreciation of \$11,491, including office equipment and leasehold improvements.

	Governmental Activities
	2008
Equipment	\$ 66,927
Leasehold improvements	1,773
Total assets, net of accumulated depreciation of \$11,491	<u>\$ 68,700</u>

The City elected to capitalize infrastructure assets, such as roads and bridges, on a prospective basis as a Phase 3 government, which is provided for in GASB No. 34. As of June 30, 2008, the City has not constructed new infrastructure assets. More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

Debt

During 2007, the City entered into a capital lease to purchase a copy machine. This obligation and accrued vacation leave represent the City's long-term debt, as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Capital lease	\$ 15,282	\$ -	\$ 2,915	\$ 12,367
Accrued vacation leave	-	4,314	-	4,314
Total	<u>\$ 15,282</u>	<u>\$ 4,314</u>	<u>\$ 2,915</u>	<u>\$ 16,681</u>

More detailed information about the City's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials considered many factors when setting the fiscal-year 2009 budget and tax rates. One of those factors is the economy. Growth in sales tax revenue is budgeted for the 2008-2009 fiscal year. Now that the issue of the legality of the City of Central has been resolved, the City will be able to operate freely and focus on the future of the City and the needs of its constituents. In doing so, the administration of the City has a priority to complete the development and design of the Master Plan for the City of Central. The end result will be the framework for the future growth and land use for the City.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Office at (225) 261-5554 or 9339 Sullivan Road, Central, Louisiana, 70818.

CITY OF CENTRAL, LOUISIANA
BASIC FINANCIAL STATEMENTS

CITY OF CENTRAL, LOUISIANA

STATEMENT OF NET ASSETS

June 30, 2008

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,869,176
Accounts receivable	6,114
Due from other government	3,052,382
Capital assets, net	<u>68,700</u>
 Total assets	 <u>\$ 4,996,372</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 588,491
Due to other government	712,079
Capital lease payable:	
Due within one year	3,171
Due in more than one year	<u>13,510</u>
 Total liabilities	 <u>1,317,251</u>
NET ASSETS	
Investment in capital assets, net of related debt	56,333
Unrestricted	<u>3,622,788</u>
 Total net assets	 <u>3,679,121</u>
 Total liabilities and net assets	 <u>\$ 4,996,372</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA

STATEMENT OF ACTIVITIES

For the year ended June 30, 2008

Functions/Programs	Program Revenues				Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental activities:					
General government	\$ 634,652	\$ 544,188	\$ 75,000	\$ 46,419	\$ 30,955
Intergovernmental	2,350,500	-	-	-	(2,350,500)
Public works	1,605,618	-	-	-	(1,605,618)
Health and welfare	74,579	-	-	-	(74,579)
Public safety:					
Police	62,193	-	-	-	(62,193)
Total	<u>\$ 4,727,542</u>	<u>\$ 544,188</u>	<u>\$ 75,000</u>	<u>\$ 46,419</u>	<u>(4,061,935)</u>
General revenues:					
Taxes:					
Sales					6,808,218
Grants and contributions not restricted to specific programs					25,345
Investment earnings					<u>151,599</u>
Total general revenues					<u>6,985,162</u>
Increase in net assets					2,923,227
Net assets - beginning of year					<u>755,894</u>
Net assets - end of year					<u>\$ 3,679,121</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2008

	General Fund	Central Transition District Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,868,594	\$ 582	\$ 1,869,176
Accounts receivable	6,114	-	6,114
Due from other government	3,052,382	-	3,052,382
Due from Central Transition District Fund	582	-	582
Total assets	\$ 4,927,672	\$ 582	\$ 4,928,254
LIABILITIES			
Accounts payable and accrued liabilities	\$ 588,491	\$ -	\$ 588,491
Due to other government	712,079	-	712,079
Due to General Fund	-	582	582
Total liabilities	1,300,570	582	1,301,152
FUND BALANCE			
Unreserved:			
Designated for capital projects	3,052,382	-	3,052,382
Undesignated	574,720	-	574,720
Total fund equity	3,627,102	-	3,627,102
Total liabilities and fund balance	\$ 4,927,672	\$ 582	\$ 4,928,254

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total net assets reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds (Exhibit A-2)	\$ 3,627,102
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Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds.	68,700
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Long-term liabilities (e.g. bonds, leases), that are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Accrued vacation payable	(4,314)	
Capital lease payable	<u>(12,367)</u>	<u>(16,681)</u>

Net assets of governmental activities (Exhibit A)	<u>\$ 3,679,121</u>
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The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the year ended June 30, 2008

	<u>General Fund</u>	<u>Central Transition District Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Sales and use	\$ 3,388,617	\$ 3,414,370	\$ 6,802,987
Charges for services	544,188	-	544,188
Intergovernmental	121,419	-	121,419
Investment income	145,823	5,776	151,599
Other	25,345	5,231	30,576
	<u>4,225,392</u>	<u>3,425,377</u>	<u>7,650,769</u>
Total revenues			
EXPENDITURES			
General government	565,805	62,258	628,063
Intergovernmental	-	2,350,500	2,350,500
Public works	1,605,618	-	1,605,618
Health and welfare	74,579	-	74,579
Public safety:			
Police	113,240	-	113,240
	<u>2,359,242</u>	<u>2,412,758</u>	<u>4,772,000</u>
Total expenditures			
Excess of revenues over expenditures	1,866,150	1,012,619	2,878,769
OTHER FINANCING SOURCES (USES)			
Operating transfers in	1,259,770	-	1,259,770
Operating transfers out	-	(1,259,770)	(1,259,770)
	<u>1,259,770</u>	<u>(1,259,770)</u>	<u>-</u>
Total other financing sources (uses)			
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	3,125,920	(247,151)	2,878,769
FUND BALANCE			
Beginning of year	501,182	247,151	748,333
End of year	<u>\$ 3,627,102</u>	<u>\$ -</u>	<u>\$ 3,627,102</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2008

The change in net assets reported for governmental activities in the statement of activities is different because:

Net change in fund balance - total governmental fund (Exhibit A-4)		\$ 2,878,769
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Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation.

Capital outlay	54,241	
Depreciation expense	<u>(8,384)</u>	45,857

The liability and expense for compensated absences are not reported in governmental funds. Payments for compensated absences are reported as salaries when they occur. Only the payment consumes current financial resources, and it would take a catastrophic event for this liability to become a current liability.

(4,314)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of activities.

Principal payments on debt		<u>2,915</u>
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Change in net assets of governmental activities (Exhibit A-1)		<u>\$ 2,923,227</u>
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CITY OF CENTRAL, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement Presentation

The City of Central was established on July 11, 2005 and is a political subdivision of the State of Louisiana. The City, under the provisions of the Lawrason Act, enacts ordinances, sets policy and establishes programs in such fields as public safety, public works and social welfare.

The financial statements of the City of Central, Louisiana (City) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant accounting policies established in GAAP and used by the City are described below.

In June 1999, the GASB approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities.
- A change in the fund financial statements to focus on the major funds.

Reporting Entity

As the municipal governing authority, for reporting purposes, the City is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary municipal government, and where applicable (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the City for the financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific burdens on the municipality.
3. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
4. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the City and, where applicable, its component units. Based on the previous criteria, the City has included the following component unit in the financial reporting entity:

Blended Component Unit

The Central Transition District (District) is reported as part of the primary government in the financial statements of the City. The District is a special taxing district created to levy and collect a two percent sales and use tax within the City limits to be used to support the operations and needs of the City and its constituents. During 2008, the District was dissolved.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The City's basic financial statements consist of the government-wide statements of the primary government (the City) and the fund financial statements (individual major funds and combined non-major funds). The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. However, as of June 30, 2008, the City did not have any business-type activities and therefore does not issue a proprietary fund financial statement.

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities for all non-fiduciary activities of the City. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the government as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are very similar to the traditional government fund statements as prepared by governments prior to the issuance of GASB No. 34. Emphasis is now on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. The City does not have any non-major funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (continued)

The daily operations of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures or expenses, as appropriate. Funds are organized into three major categories: governmental, proprietary and fiduciary. The City does not have any proprietary or fiduciary funds. An emphasis is placed on major funds within the governmental category.

A fund is considered major if it is the primary operating fund of the City (the General Fund) or meets the following criteria:

- Total assets, liabilities, revenues, or expenditures/expense of that individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues, or expenditures/expense of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be expended and the means by which spending activities are controlled. The various funds of the primary government presented in the financial statements are described as follows:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of expendable financial resources and related liabilities of the City are accounted for through governmental funds. Measurement is focused upon determining changes in financial position, rather than net income. The following are the governmental fund types of the City:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund is always a major fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. There is only one special revenue fund, the Central Transition District, and it is considered a major fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus

Government-wide financial statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Fund financial statements

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting.

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal period in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). "Available" means collectible within the current period or within 60 days after period-end. Charges for services and governmental miscellaneous revenues are recorded as earned since they are measurable and available. Nonexchange transactions, in which the City receives value without directly giving value in return, includes sales and use tax.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) unmatured interest on general long-term debt which is recognized when due, and (2) claims and judgments and compensated absences are recorded as expenditures in the governmental fund type when paid with expendable financial resources. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

Cash and Cash Equivalents

Cash and cash equivalents for the City include each individual fund's operating cash accounts.

The investment policy of the City is governed by state statutes that include depository and custodial contract provisions. The City invests funds in accordance with L.R.S. 39:1211-1245 and 33:2955 which include, but are not limited to, United States Treasury Bonds, Treasury Notes, Treasury Bills, and fully collateralized interest bearing checking accounts and certificates of deposit. Other provisions require depositories to insure or collateralize all deposits in accordance with state law and require securities collateralizing deposits to be held by an independent third party with whom the City has a custodial agreement. The City does not own any investments as of June 30, 2008.

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at period-end and not yet received. For governmental activities, uncollectible amounts due for receivables are recognized as bad debts through the use of an allowance account or expensed at the time information becomes available, indicating that the particular receivable is not collectible. In governmental fund types, the uncollectible amount is charged directly to the revenue reported. No bad debts have been recorded in the current period.

Interfund receivables/payables

During the course of operations, transactions may occur between individual funds. Those related to short-term borrowings are classified as "due from other funds" or "due to other funds" on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Capital Assets

The accounting treatment of property, plant, and equipment (fixed assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed. Major outlays for capital assets and improvements are capitalized at completion of construction projects.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Equipment	5 years
Leasehold Improvements	5 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are not capitalized. Instead, capital acquisition and construction are reflected as expenditures in the governmental funds.

Compensated Absences

The City has the following policy relating to vacation and sick leave:

The full time employees of the City accrue two hours of vacation and sick leave for each week worked. Vacation is payable upon resignation or retirement at the employee's current rate of pay. At June 30, 2008, \$4,314 of the accrued vacation liability has been recorded in these financial statements.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments.

However, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Interfund Transfers

Transfers between funds are included in the budgets of such funds. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

In those cases where repayment is expected, the advances are accounted for through the various interfund receivable and payable accounts.

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted to the Mayor and City Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget Policy and Budgetary Accounting (Continued)

The annual operating budget, prepared on the modified accrual basis, covers the general fund. At the end of the fiscal period, unexpended appropriations automatically lapse. Budget amendments are approved by the City Council and are included in the financial statements.

In connection with budget preparation, a portion of the unreserved fund balance of an individual fund may be designated for expenditures of the subsequent period. Such designation represents the extent to which the fund balance is used to balance the subsequent period's operating budget of that fund, as reflected in the legally adopted budget.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of the government-wide financial statements during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

The City may invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana or other qualifying federally insured investments.

At June 30, 2008, the City's deposits totaled \$1,869,176 and the related bank balances were \$1,874,060.

The bank balance is categorized as follows:

Category 1 - Amount insured by the FDIC	\$ 100,000
Category 2 - Amount collateralized with securities held by pledging financial institution's trust department in the City's name	1,648,055
Category 3 - Uncollateralized	<u>126,005</u>
Total bank balance	<u>\$ 1,874,060</u>

NOTE 3 - DUE FROM OTHER GOVERNMENT

Due from other government at June 30, 2008, consisted of amounts due from the City of Baton Rouge\Parish of East Baton Rouge (Parish) for the collection of sales and use tax.

NOTE 4 - FIXED ASSETS

Capital Assets

A summary of changes in capital assets for the year ended June 30, 2008 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets being depreciated:				
Equipment	\$ 23,150	\$ 46,516	\$ -	\$ 69,666
Leasehold improvements	2,800	-	-	2,800
Vehicles	-	7,725	-	7,725
Total capital assets	<u>25,950</u>	<u>54,241</u>	<u>-</u>	<u>80,191</u>
Less accumulated depreciation for:				
Equipment	2,640	6,994	-	9,634
Leasehold improvements	467	560	-	1,027
Vehicles	-	830	-	830
Total accumulated depreciation	<u>3,107</u>	<u>8,384</u>	<u>-</u>	<u>11,491</u>
Total capital assets, net	<u>\$ 22,843</u>	<u>\$ 45,857</u>	<u>\$ -</u>	<u>\$ 68,700</u>

Depreciation expense for the year ended June 30, 2008 charged to general government and public safety functions/programs was \$5,190 and \$3,194, respectively.

NOTE 5 - LONG-TERM DEBT

Long term debt obligations for the primary government for governmental activities at June 30, 2008, are comprised of the following:

Capital Lease Obligations:

Lease payable in monthly installments of \$341, until December 2011 and secured by equipment, interest at 8.4%

\$ 12,367

Accrued absences:

Noncurrent portion

4,314

Total indebtedness - governmental activities

\$ 16,681

NOTE 5 - LONG-TERM DEBT (CONTINUED)

	Beginning of Year	Additions	Deletions	End of Year
Capital lease	\$ 15,282	\$ -	\$ 2,915	\$ 12,367
Accrued vacation leave	-	4,314	-	4,314
Total	<u>\$ 15,282</u>	<u>\$ 4,314</u>	<u>\$ 2,915</u>	<u>\$ 16,681</u>

Debt Service Requirements to Maturity

Maturities of the capital lease are as follows:

Year	Principal	Interest	Total
2009	\$ 3,171	\$ 921	\$ 4,092
2010	3,449	643	4,092
2011	3,750	342	4,092
2012	<u>1,997</u>	<u>49</u>	<u>2,046</u>
	<u>\$ 12,367</u>	<u>\$ 1,955</u>	<u>\$ 14,322</u>

NOTE 6 - CONTINGENCIES

At the inception of the incorporation of the City, a lawsuit was filed challenging the incorporation. To prevail, plaintiffs had to show that the public services proposed to be provided by the City could not be provided in a reasonable period of time and that incorporation was unreasonable. The allegation was refuted by the City.

In March 2008, a state appeal court upheld the incorporation of the City and, in June 2008, the State Supreme Court refused to review the case. Therefore, the plaintiffs have exhausted all appellant rights and the case is considered closed.

Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There has been no significant change to the City's insurance coverage during 2008.

NOTE 6 - CONTINGENCIES (CONTINUED)

Grants

The City receives State and local grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. It is the opinion of the City management that its compliance with the terms of grants will result in negligible, if any, disallowed costs.

Cash

The City typically maintains cash in local banks that exceed the Federal Deposit Insurance Corporation limit of \$100,000. Amounts in excess of the Federal Deposit Insurance Corporation limit are required by law to be collateralized by securities pledged by the bank. As of June 30, 2008, the City maintained approximately \$126,000 of cash in local bank which were uncollateralized by securities pledged by the bank.

NOTE 7 - INTERGOVERNMENTAL AGREEMENT

The City entered into an intergovernmental agreement whereby the Parish agreed to provide all services provided to the City, (prior to its incorporation) and to the unincorporated areas of the Parish including but not limited to services provided by the Animal Control Department, the Consolidated Sewer District, the Consolidated Garbage District and the Department of Public Works.

In consideration for the services provided by the Parish, the City paid the Parish an amount no less than 90% of the 2% sales and use tax collected by the Central Transition District. During the period ended June 30, 2008, \$2,350,000 was paid to the Parish for the services described above.

This agreement remained in effect until February 28, 2008, the date in which both parties mutually cancelled the existing agreement.

Animal Control Services Agreement

The City entered into an agreement effective March 1, 2008, whereby the Parish agrees to provide all services of the Parish's Animal Control Department to the City. In consideration for the service provided by the Parish, the City will pay the Parish \$20,000 annually. The agreement expires on December 31, 2008.

The City has an option to renew this agreement for the 2009 fiscal year, if it desires to do so, and informs the Parish by October 1, 2008.

NOTE 7 - INTERGOVERNMENTAL AGREEMENT (CONTINUED)

City Operations Services Agreement

The City entered into an agreement effective March 3, 2008, whereby CH2M Hill, Inc., agrees to provide management services over City operations. These services include various administrative, financial, and public works services to the City. The agreement expires on March 2, 2011. In consideration for the service provided by the CH2M Hill, Inc., the City will pay a fixed fee per year as base compensation, as follows:

March 3, 2008 to March 2, 2009	\$4,300,000
March 3, 2009 to March 2, 2010	\$3,500,000
March 3, 2010 to March 2, 2011	\$3,500,000

In addition to base compensation fees stated above, the City will also compensate CH2M Hill up to 90% of permit fees collected.

The City has an option to automatically renew this agreement for two additional two year periods beginning March 3, 2011. Either party may elect not to renew the agreement with a written notice of its decision not to renew the contract within 120 days prior to the completion of the automatic renewal periods.

NOTE 8 - PENSION PLAN

Substantially all employees of the City can elect to be members of the Municipal Employees Retirement System of Louisiana ("System"), a cost sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan is as follows:

Plan Description

All permanent employees working at least 35 hours per week who are paid wholly or in part from City funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60, with at least 10 years of creditable service or at any age with at least 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final average salary multiplied for each year of creditable service. Monthly retirement benefits paid under Plan A cannot exceed the lesser of 100 percent of final average salary or \$70 multiplied by total years of creditable service. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average.

Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at ages specified above and receive the benefit accrued to their date of termination.

NOTE 8 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana, 70809, or (225) 925-4810.

Funding Policy

Plan members are required by state statute to contribute 9.25 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 13.5 percent of annual payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The City's contribution to the System under Plan A for the year ended June 30, 2008 was \$3,938.

NOTE 9 - DEFERRED COMPENSATION PLAN

The City allows its employees to elect to participate in the State of Louisiana deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The City matches the employee's contribution, which is limited to 6.2% of their salary. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. In accordance with the amended provisions of the Internal Revenue Code, all amounts deferred under the plan, including income attributable to those amounts, are solely the property and rights of the participants and their beneficiaries. As required, the City established a custodial account with two third party administrators who will hold the assets and income of the plan. Assets totaling approximately \$5,800 are held by Great West, a deferred compensation administrator, under agreement with the City. Matching contributions from the City totaled \$1,070.

NOTE 9 - DEFERRED COMPENSATION PLAN (CONTINUED)

The City has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Under this statement, governments who have no responsibility for the plan and are not formally considered the plan's trustee are not required to report the plan in its financial statements. Since the City is only a participant in the plan and the plan assets are held in a custodial account with a third party administrator, the assets and liabilities are not presented in the City's financial statements.

NOTE 10 - USE OF FACILITIES

A citizen of the City of Central is allowing the City to use a building free of charge to serve as City Hall until a permanent location can be arranged. The City has recorded an amount of \$1,000 per month, or \$12,000 for the year ended June 30, 2008, as a contribution and expense to reflect this transaction.

NOTE 11 - MAYOR AND COUNCIL MEMBER COMPENSATION

During the year ended June 30, 2008, Council members and the Mayor received the following compensation, including per diem payments, as follows:

	Amount
Mayor Shelton Watts	\$ 56,269
Council Members:	
Ralph Washington, Mayor Pro-Tem	9,600
Louis DeJohn	9,600
Joan Lansing	9,600
Aaron Moak	9,600
Lucky Ross	9,600
Total	<u>\$ 104,269</u>

CITY OF CENTRAL, LOUISIANA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

For the year ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance - favorable (unfavorable)
REVENUES				
Taxes:				
Sales and use	\$ -	\$ 1,995,545	\$ 3,388,617	\$ 1,393,072
Charges for services	266,322	284,300	544,188	259,888
Intergovernmental	-	105,375	121,419	16,044
Investment income	6,000	18,369	145,823	127,454
Other	12,000	19,600	25,345	5,745
Total revenue	<u>284,322</u>	<u>2,423,189</u>	<u>4,225,392</u>	<u>409,131</u>
EXPENDITURES				
General government	697,357	786,091	565,805	220,286
Public works	-	1,447,531	1,605,618	(158,087)
Health and welfare	-	157,000	74,579	82,421
Public safety:				
Police	<u>58,750</u>	<u>105,971</u>	<u>113,240</u>	<u>(7,269)</u>
Total expenditures	<u>756,107</u>	<u>2,496,593</u>	<u>2,359,242</u>	<u>137,351</u>
Excess (deficiency) of revenues over expenditures	(471,785)	(73,404)	1,866,150	546,482
OTHER FINANCING SOURCES				
Operating transfers in				
Central Transition District	<u>480,000</u>	<u>550,000</u>	<u>1,259,770</u>	<u>709,770</u>
Total other financing sources	<u>480,000</u>	<u>550,000</u>	<u>1,259,770</u>	<u>709,770</u>
Excess of revenues and other financing sources over expenditures	<u>\$ 8,215</u>	<u>\$ 476,596</u>	3,125,920	<u>\$ 1,256,252</u>
FUND BALANCE				
Beginning of year			<u>501,182</u>	
End of year			<u>\$ 3,627,102</u>	

**CITY OF CENTRAL, LOUISIANA
CENTRAL TRANSITION DISTRICT FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
REVENUES				
Taxes:				
Sales and use	\$ 5,260,000	\$ 2,716,659	\$ 3,419,601	\$ 702,942
Investment income	<u>6,000</u>	<u>5,700</u>	<u>5,776</u>	<u>76</u>
Total revenue	<u>5,266,000</u>	<u>2,722,359</u>	<u>3,425,377</u>	<u>703,018</u>
EXPENDITURES				
General government	85,000	31,000	62,258	(31,258)
Intergovernmental	<u>4,734,000</u>	<u>2,420,000</u>	<u>2,350,500</u>	<u>69,500</u>
Total expenditures	<u>4,819,000</u>	<u>2,451,000</u>	<u>2,412,758</u>	<u>38,242</u>
Excess of revenues over expenditures	447,000	271,359	1,012,619	741,184
OTHER FINANCING USES				
Operating transfers out				
General Fund	<u>(480,000)</u>	<u>(518,510)</u>	<u>(1,259,770)</u>	<u>(741,260)</u>
Deficiency of revenues over expenditures and other financing uses	<u>\$ (33,000)</u>	<u>\$ (247,151)</u>	<u>(247,151)</u>	<u>\$ (76)</u>
FUND BALANCE				
Beginning of year			<u>247,151</u>	
End of year			<u>\$ -</u>	

CITY OF CENTRAL, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2008

NOTE 1 – BUDGETS

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the City Council prior to the beginning of each fiscal period. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget period.

The annual operating budget, prepared on the modified accrual basis, covers the general fund and special revenue fund. At the end of the fiscal period, unexpended appropriations automatically lapse. Budget amendments are approved by the City Council and are included in the financial statements.

In connection with budget preparation, a portion of the unreserved fund balance of an individual fund may be designated for expenditures of the subsequent period. Such designations would represent the extent to which the fund balance is used to balance the subsequent period's operating budget of that fund, as reflected in the legally adopted budget. There are no designated fund balances reported.

Basis of Accounting

All of the City's funds' budgets are prepared on the modified accrual basis of accounting, which is described in Note 1 to the City's financial statements for the period ended June 30, 2008.

SPECIAL INDEPENDENT AUDITORS' REPORT

For the year ended June 30, 2008



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the City Council,
City of Central, Louisiana

We have audited the financial statements of the governmental activities and each major fund of the **CITY OF CENTRAL, LOUISIANA (City)** as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and a deficiency that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies considered to be a material weakness in internal control is described in the accompanying Schedule of Findings and Questioned Costs as 2008-1 and 2008-3.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in a more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The deficiency considered to be a material weakness in internal controls is described in the accompanying Schedule of Findings and Questioned Costs as 2008-1 and 2008-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described as item 2008-2.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Cost. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended for the information of the City Council, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Tank & Walker, LLC

Certified Public Accountants

Baton Rouge, Louisiana
October 1, 2008

CITY OF CENTRAL, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2008

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unqualified opinion.**
- B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **2008-1 and 2008-3**
Material weaknesses: **2008-1 and 2008-3**
- C) Noncompliance that is material to the financial statements: **2008-2**
- D) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2008-1, 2008-2, and 2008-3**

2) Findings – Financial Statement Audit

2008-1 Segregation of Duties

Observation: There is not sufficient segregation of duties to have effective internal control over financial reporting. The finding results from the small number of City personnel involved in the financial reporting process. These limitations allow no opportunity for meaningful segregation of duties.

Recommendation: We recommend that the City continue the current process of:

- Obtaining the Mayor's approval for all City disbursements,
- The unopened monthly bank statement (including all cancelled checks) be reviewed by the Mayor,
- The Mayor review the related bank reconciliations,
- The Mayor and City Council review the City's financial statements, on a monthly basis with comparison to budgeted amounts. Furthermore, a listing of monthly cash disbursements be reviewed along with the monthly financial statements.

2008-1 Segregation of Duties (Continued)

Management's corrective action plan: Due to the size of the City, the achievement of adequate segregation of duties is desirable to management but is cost prohibitive at this time. However, the Mayor approves all disbursements of the City, with a second independent approval by the Mayor Pro-Tem. All disbursements are required to have dual signatures. Furthermore, the City has outsourced some accounting responsibilities to an independent CPA firm. The firm was engaged to review or prepare the bank reconciliations on a monthly basis.

2008-2 Cash Management

Observation: During the fiscal year ended June 30, 2008, the City's cash bank balances were approximately \$1,874,000. These balances were secured by FDIC insurance and securities pledged by the bank of approximately \$1,748,000 with \$126,000 uncollateralized at year end.

Recommendation: The City should develop procedures to monitor the amount pledged by the bank to ensure cash on deposit is adequately secured.

Management's corrective action plan: Management concurs with the recommendation and has implemented a procedure to monitor cash secured on a periodic basis. Furthermore, management indicated that significant disbursements were made subsequent to year end that reduced the cash balance below the amount of securities pledged. In any event, a procedure is in place to monitor compliance with state law and cash is presently secured as required.

2008-3 Preparation of Financial Statements/Journal Entries

Observation: The City relies on its auditors to assist in adjusting the books and the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, the auditors cannot be considered part of the City's internal control structure; however, design of the internal control structure does not otherwise include procedures to prepare internal financial statements and related disclosures in conformity with U.S. generally accepted accounting principles.

Recommendation: Since, the City is satisfied with using its auditing firm to prepare the external financial statements, no change is recommended. However, this matter will continue to be reported.

Management's corrective action plan: Management understands that this deficiency results from professional standards that have been adopted by the accounting profession. The City generates the appropriate financial information to effectively manage and plan operations in a timely manner and does not consider our current situation to be deficient. However, management will review the resources necessary to prepare financial statements in accordance with generally accepted accounting principles (with full footnote disclosures) to determine if it would represent responsible stewardship.

CITY OF CENTRAL, LOUISIANA
SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2008

2007-1 Segregation of Duties

This finding has been reclassified as 2008-1.

2007-2 Financial Reporting/Budgeting

This finding has been reclassified as 2008-3.

2007-3 Council Meeting Minutes

This matter has been resolved during 2008.